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(Securities Code 7164)  
June 2, 2021

**To Shareholders with Voting Rights:**

Eiji Ishikawa  
President & Representative Director  
ZENKOKU HOSHO Co., Ltd.  
2-1-1 Otemachi,  
Chiyoda-ku, Tokyo, Japan

## **NOTICE OF CONVOCAION OF THE 41ST ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 41st Annual General Meeting of Shareholders of ZENKOKU HOSHO Co., Ltd. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form, or via electromagnetic method (the Internet, etc.). Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), and cast your vote by 5 p.m. on Thursday, June 17, 2021 Japan time.

- 1. Date and Time:** Friday, June 18, 2021 at 10 a.m. Japan time (reception will open at 9 a.m.)
- 2. Place:** JP Tower Hall and Conference, Fourth floor of JP Tower, located at 2-7-2 Marunouchi, Chiyoda-ku, Tokyo, Japan
- 3. Meeting Agenda:**
  - Matters to be reported:** The Business Report and Financial Statements for the Company’s 41st Fiscal Year (April 1, 2020 - March 31, 2021)
  - Proposals to be resolved:**
    - Proposal No. 1:** Distribution of Surplus
    - Proposal No. 2:** Revision of the Amount of Compensation, etc. for Directors and Audit & Supervisory Board Members
    - Proposal No. 3:** Determination of the Amount and Details of Performance-based Stock Compensation, etc. for Directors

#### **4. Matters concerning the convocation**

- (1) If there is no indication for or against each proposal on the Voting Rights Exercise Form, the vote will be deemed to be for a proposal.
- (2) In the event that voting rights are exercised multiple times via the Voting Rights Exercise Form, the most recent one to arrive will be deemed valid.
- (3) In the event that voting rights are exercised multiple times via the Internet, etc., the most recent one to arrive will be deemed valid.
- (4) In the event that voting rights are exercised both via the Voting Rights Exercise Form and the Internet, etc., the vote via the Internet, etc., will be deemed valid.

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- ◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. To save resources, please bring this “Notice of Convocation” with you.
  - ◎ If exercising voting rights via proxy, you may designate one (1) other shareholder with voting rights to act as your proxy and exercise your voting rights. However, please understand that documentation proving agency privileges will be required to be submitted.
  - ◎ Any updates to the Reference Documents for the General Meeting of Shareholders, Business Report, or Financial Statements will be posted on the Company’s website (<https://www.zenkoku.co.jp/>).
  - ◎ On the day of the meeting, as a method to conserve electricity, employees will be wearing light clothing (“Cool Biz”). We ask that shareholders attend in light clothing as well.

## **Business Report**

(April 1, 2020 - March 31, 2021)

### **I Overview of the Company**

#### **1. Business Progress and Results**

##### **(1) Economic Environment and Business Environment**

During the fiscal year ended March 31, 2021, as the domestic and overseas economies remained in a difficult situation due to the impact of the novel coronavirus infection, the Japanese economy witnessed a substantial drop in corporate earnings as well as weakness in the employment and income conditions and consumer spending, and uncertainty about its outlook persisted.

In the housing market, although government policies designed to support housing acquisitions and the low interest rate environment for housing loans continued, the number of new housing fell below the level of the same period of the previous fiscal year. The housing loan market remained weak in the same manner as the housing market.

##### **(2) Business Summary**

In such a business environment, while taking the necessary measures to prevent the spread of the infection, we have implemented various measures with the focus on “expansion of the business scale,” “expansion of business domains” and “enhancement of the corporate value,” which are the basic policies of our medium-term management plan “Beyond the Border.”

For the expansion of the business scale, we worked on measures to increase our market share in new and existing loan markets. In order to expand our market share in the new loan market, we exerted our efforts to strengthen our relationships with partnering financial institutions and to increase the number of new contracts with prospective partnering financial institutions. In order to strengthen our relationships with partnering financial institutions, we held briefing sessions and study sessions on our credit guarantee products to increase the utilization rate of our credit guarantees. Furthermore, we have again decided to implement our reputed campaign in order to support sales efforts to acquire housing loans. As for increasing the number of new contracts with prospective partnering financial institutions, we signed new contracts with a total of ten financial institutions during the fiscal year ended March 31, 2021, including three banks, one credit union, five JA cooperatives and one other company. Furthermore, in order to expand our market share in the existing loan market, we continued with our efforts to increase outstanding guarantee exposure by such means as acquiring the shares of another guarantee company and making it a subsidiary as well as taking over guarantee liabilities through absorption-type splits.

For the expansion of business domains, we utilized our subsidiary AKEBONO Servicer Co., Ltd. to continue to make proposals for factoring and credit management and collection. At MINORI GUARANTEE Co., Ltd., which became our subsidiary in the previous fiscal year, we signed new contracts with financial institutions to develop new businesses.

For the enhancement of the corporate value, we identified material issues to be preferentially addressed by the Company from among the various social issues and established the “ZENKOKU HOSHO SDGs Declaration” to contribute to the achievement of the SDGs (sustainable development goals) through the resolution of material issues.

As a result of such efforts, we recorded operating revenue of ¥47,834 million (up 5.8% year-on-year), operating income of ¥38,233 million (up 8.1% year-on-year), ordinary income of ¥38,991 million (up 9.0% year-on-year), and net income of ¥27,002 million (up 10.5% year-on-year), thus achieving growth in both revenue and profits.

Additionally, results of guarantees for the 41st fiscal year were as follows.

(Amounts: institutions, guarantees, million yen)

Item	The 38th fiscal year ended March 31, 2018	The 39th fiscal year ended March 31, 2019	The 40th fiscal year ended March 31, 2020	The 41st fiscal year ended March 31, 2021
Number of partnering financial institutions	746	750	739	744
Number of new guarantees granted	68,073	68,311	67,003	57,113
Amount of new guarantees granted	1,666,315	1,722,629	1,732,416	1,495,085
Outstanding guarantee exposure at the end of the period	11,789,304	12,717,625	13,706,421	14,629,759

(Notes) 1. Figures for the number of new guarantees granted and the amount of new guarantees are results of housing loans extended by private financial institutions.

2. The outstanding guarantee exposure at the end of the period for the 40th fiscal year ended March 31, 2020 includes ¥90,397 million for MINORI GUARANTEE Co., Ltd., the Company's subsidiary.

3. The outstanding guarantee exposure at the end of the period for the 41st fiscal year ended March 31, 2021 includes ¥81,823 million for MINORI GUARANTEE Co., Ltd. and ¥289,176 million for Tsukuba Shinyo Hosho Co., Ltd., both of which are the Company's subsidiaries.

## 2. Status of Capital Investments

Not applicable.

## 3. Status of Financing, etc.

Not applicable.

## 4. Status of Business Transfers, etc.

(1) Status of Business Transfers, Absorption-type Splits, or Incorporation-type Splits

Not applicable.

(2) Status of Acceptance of Business Transfers From Other Companies

Not applicable.

(3) Status of Continuation of Rights Obligations Regarding Business of Other Companies due to Absorption-type Mergers or Absorption-type Splits

1) Effective June 1, 2020 and March 1, 2021, the Company succeeded a portion of the guarantee business operated by SMBC Finance Service Co., Ltd. (former Cedyne Financial Corporation) through a company split.

2) Effective March 25, 2021, the Company succeeded a portion of the guarantee business operated by Settsu-suito Sogo Shinyou Kabushikikaisha through a company split.

(4) Status of Acquisition or Disposal of Stock, Other Equity, or Share Acquisition Rights, etc., of Other Companies

The Company acquired all shares of Tsukuba Shinyo Hosho Co., Ltd. on March 31, 2021.

## 5. Trends in Assets and Income

(Amount: million yen)

Item	The 38th fiscal year ended March 31, 2018	The 39th fiscal year ended March 31, 2019	The 40th fiscal year ended March 31, 2020	The 41st fiscal year ended March 31, 2021
Operating revenue	39,599	43,204	45,203	47,834
Ordinary income	31,974	35,169	35,760	38,991
Net income	22,052	24,134	24,430	27,002
Net income per share	320.71 yen	350.92 yen	355.17 yen	392.53 yen
Net assets	108,127	126,998	145,049	165,860
Total assets	294,137	321,232	372,968	396,261

(Note) Net income per share is calculated using the average number of outstanding shares for the fiscal year, minus treasury shares.

## 6. Issues to be Addressed

### (1) Basic Management Policies

Under our management philosophy, “Helping customers realize their dreams and happiness by offering the highest-quality guarantee instruments and services to all customers who need credit guarantees, and contributing to the development of regional communities through our credit guarantee service business,” we aim to raising our corporate value and achieve long-term development and the growth of our business by implementing managerial measures from the standpoint of all stakeholders.

### (2) Medium to long-term management strategies and issues

Regarding the environment surrounding the Company, the new housing market is expected to shrink on a long-term basis due to a decline in the population and the number of households in association with the falling birthrate and aging population. For the time being, however, we anticipate the number of new housing starts sustained at the current level and an invigorated second-hand housing/house renovation market.

Taking such a business environment into account, we have developed a medium-term management plan “Beyond the Border” for the three years from fiscal year 2020 to fiscal year 2022. This medium-term management plan sets out the vision “Based on the ‘credibility’ and ‘trust’ that we have built, we will establish a solid position as the leading guarantee provider in Japan,” based on which we will implement various measures based on the three basic policies of i) expansion of the business scale, ii) expansion of business domains, and iii) enhancement of the corporate value.

#### [Expansion of the business scale]

The domestic market for housing loans by private financial institutions is immense, with annual new loans of approximately ¥18 trillion and existing loans of approximately ¥180 trillion, and there is ample room for us to further expand the outstanding guarantee exposure.

In order to expand our market share, we will strengthen our traditional business base by deepening relationships with more than 700 partnering financial institutions and increasing the number of tie-ups with new partnering financial institutions, and expand the scale of our business by developing new channels for housing loan applications through collaborations with non-financial companies. In addition, as a measure to expand the existing loan market, we will work to increase outstanding guarantee exposure by acquiring the shares of other guarantee companies and making them subsidiaries.

#### [Expansion of business domains]

We believe that the housing loan guarantee business, which is our core business, is expected to continue to grow steadily. We will leverage our unique strengths to expand our business domains and diversify our revenue sources.

Specifically, we will utilize our operating base that we have built up in the credit guarantee business to expand the scale of our subsidiary servicer business and engage in initiatives for new business development by leveraging our subsidiary guarantee companies. Overseas expansion will also be studied from a long-term perspective, in terms of which region to enter and potential collaboration with other companies.

#### [Enhancement of the corporate value]

Our outstanding guarantees exposure exceeds ¥14 trillion, leading to greater corporate social responsibility. We will raise our corporate value by making effective use of management resources and promoting operational efficiency, in addition to enhancing our non-financial information through such means as efforts to resolve material issues based on the “ZENKOKU HOSHO SDGs Declaration,” which was established in February 2021, in order to contribute to solving social issues through our housing loan guarantee business toward the realization of sustainable growth.

The Company asks for the continued support of shareholders.

## 7. Principal Businesses

Business category	Category
Credit guarantee business	Housing loan guarantees Education loan guarantees Card loan guarantees

## 8. Principal Business Locations

Category	Store name / Company name	Location
The Company	Headquarters	Chiyoda-ku, Tokyo
	Sales Department I, Head Office	Chiyoda-ku, Tokyo
	Sales Department II, Head Office	Chiyoda-ku, Tokyo
	Sapporo Branch	Chuo-ku, Sapporo-shi, Hokkaido
	Sendai Branch	Aoba-ku, Sendai-shi, Miyagi
	Yokohama Branch	Nishi-ku, Yokohama-shi, Kanagawa
	Niigata Office	Chuo-ku, Niigata-shi, Niigata
	Nagoya Branch	Naka-ku, Nagoya-shi, Aichi
	Kanazawa Branch	Kanazawa-shi, Ishikawa
	Osaka Branch	Chuo-ku, Osaka-shi, Osaka
	Hiroshima Branch	Naka-ku, Hiroshima-shi, Hiroshima
	Takamatsu Office	Takamatsu-shi, Kagawa
	Fukuoka Branch	Hakata-ku, Fukuoka-shi, Fukuoka
	Miyazaki Office	Miyazaki-shi, Miyazaki
Subsidiaries	Zenkoku Business Partner, K.K.	Koto-ku, Tokyo
	AKEBONO Servicer Co., Ltd.	Chiyoda-ku, Tokyo
	MINORI GUARANTEE Co., Ltd.	Chuo-ku, Tokyo
	Tsukuba Shinyo Hosho Co., Ltd.	Tsukuba-shi, Ibaraki

- (Notes) 1. Effective September 23, 2020, Zenkoku Business Partner, K.K. relocated from Chuo-ku, Tokyo to Koto-ku, Tokyo.
2. Effective October 1, 2020, Towa Shinyo Hosho Co., Ltd. changed its trade name to MINORI GUARANTEE Co., Ltd. and relocated from Maebashi-shi, Gunma to Chuo-ku, Tokyo.

## 9. Status of Employees

Number of employees	Increase or decrease from previous fiscal year-end	Average age	Average years of service
258 persons	1 person (increase)	37.3 years	9 years and 10 months

- (Notes) 1. Employees refer to all full-time employees, including three Executive Officers and one person seconded from other companies, and do not include 22 persons seconded to outside the Company.
2. Employees do not include 66 contract, part-time, and temporary employees.

## 10. Principal Counterparties to Borrowings and Amount of Borrowings

Counterparties to borrowings	Loan balance
Syndicated loan	30,000 million yen

- (Note) The syndicated loan is a syndicated loan from five banks.

## 11. Status of Significant Parent Companies and Subsidiaries

- (1) Relationship with Parent Company  
Not applicable.

- (2) Status of Significant Subsidiaries

Company name	Capital	Ownership	Main businesses
Zenkoku Business Partner, K.K.	9 million yen	100%	Contract, entrustment, and agency of clerical operations
AKEBONO Servicer Co., Ltd	516 million yen	100%	Claim management and collection based on the Act on Special Measures Concerning Claim Management and Collection Business
MINORI GUARANTEE Co., Ltd.	495 million yen	100%	Credit guarantee business
Tsukuba Shinyo Hosho Co., Ltd.	91 million yen	100%	Credit guarantee business

- (Notes) 1. The Company only has the four subsidiaries above, and they are not subject to consolidation.
2. Effective March 31, 2021, the Company acquired shares of Tsukuba Shinyo Hosho Co., Ltd. to make it a subsidiary.

- (3) Status of Wholly-owned Specified Subsidiaries as of the end of the fiscal year  
Not applicable.

## 12. Other Significant Items Regarding Status of the Company

- Not applicable.



## II Status of Shares (As of March 31, 2021)

1. **Total number of shares authorized to be issued** 160,000,000 shares

2. **Total number of shares outstanding** 68,871,790 shares

3. **Number of shareholders** 31,521 persons

4. **Major shareholders (Top 10)**

Shareholder name	Number of shares held (shares)	Ownership ratio (%)
Fukoku Mutual Life Insurance Company	6,200,000	9.01
Meiji Yasuda Life Insurance Company	6,200,000	9.01
The Master Trust Bank of Japan, Ltd. (Trust account)	5,355,300	7.78
Custody Bank of Japan, Ltd. (Trust account)	4,880,600	7.09
TAIYO LIFE INSURANCE COMPANY	4,271,000	6.20
TAIYO FUND, L.P.	1,624,200	2.36
SMBC Nikko Securities Inc.	1,215,600	1.76
The Dai-ichi Life Insurance Company, Limited	1,074,800	1.56
Nomura Securities Co., Ltd. (Self-transfer account)	1,074,000	1.56
SSBTC CLIENT OMNIBUS ACCOUNT	1,041,695	1.51

(Note) The ownership ratio is calculated after eliminating 492 shares of treasury stock and 76,510 shares held by the Stock Granting Trust (J-ESOP), and fractional figures are rounded down to two decimal places.

5. **Shares Issued to Company Officers as Consideration for Execution of Duties During the Term**

Not applicable.

6. **Other Important Items Regarding Stock**

Not applicable.

### III Matters Regarding Share Acquisition Rights, etc., of the Company

#### 1. Status of Share Acquisition Rights, etc. Held by Officers of the Company as of the Fiscal Year-end

	First Stock Compensation-type Share Acquisition Rights	Second Stock Compensation-type Share Acquisition Rights	Third Stock Compensation-type Share Acquisition Rights
Date of resolution for issuance	June 20, 2014	June 19, 2015	June 17, 2016
Status of holdings of officers	687 (two persons)	521 (three persons)	671 (three persons)
Directors (excluding Outside Directors)	687 (two persons)	521 (three persons)	671 (three persons)
Outside Directors	—	—	—
Audit & Supervisory Board Members	—	—	—
Type and number of stock for share acquisition rights	6,870 shares of common stock	5,210 shares of common stock	6,710 shares of common stock
Amounts to be paid to exercise share acquisition rights	1 yen per stock	1 yen per stock	1 yen per stock
Exercise period for share acquisition rights	From July 24, 2014 to July 23, 2044	From July 23, 2015 to July 22, 2045	From July 21, 2016 to July 20, 2046
Conditions to exercise share acquisition rights	(Note)	(Note)	(Note)

	Fourth Stock Compensation-type Share Acquisition Rights	Fifth Stock Compensation-type Share Acquisition Rights	Sixth Stock Compensation-type Share Acquisition Rights
Date of resolution for issuance	June 16, 2017	June 15, 2018	June 14, 2019
Status of holdings of officers	542 (three persons)	674 (four persons)	833 (four persons)
Directors (excluding Outside Directors)	542 (three persons)	674 (four persons)	833 (four persons)
Outside Directors	—	—	—
Audit & Supervisory Board Members	—	—	—
Type and number of stock for share acquisition rights	5,420 shares of common stock	6,740 shares of common stock	8,330 shares of common stock
Amounts to be paid to exercise share acquisition rights	1 yen per stock	1 yen per stock	1 yen per stock
Exercise period for share acquisition rights	From July 20, 2017 to July 19, 2047	From July 19, 2018 to July 18, 2048	From July 18, 2019 to July 17, 2049
Conditions to exercise share acquisition rights	(Note)	(Note)	(Note)

	Seventh Stock Compensation-type Share Acquisition Rights
Date of resolution for issuance	June 19, 2020
Status of holdings of officers	850 (four persons)
Directors (excluding Outside Directors)	850 (four persons)
Outside Directors	—
Audit & Supervisory Board Members	—
Type and number of stock for share acquisition rights	8,500 shares of common stock
Amounts to be paid to exercise share acquisition rights	1 yen per stock
Exercise period for share acquisition rights	From July 22, 2020 to July 21, 2050
Conditions to exercise share acquisition rights	(Note)

(Notes)

Conditions to exercise share acquisition rights

- (i) The holder of share acquisition rights, limited to the period from the day after losing status as a Director until the tenth day after the above date, exercise all share acquisition rights at once.
- (ii) If the holder of share acquisition rights dies, and only if the share acquisition rights are inherited by only one of the original holder's legal heirs (hereinafter "inheritor"), the inheritor may, pursuant to the conditions in each of the following items, exercise share acquisition rights. However, if it is determined that the person has previously committed a significant criminal offense, then that person may not become an inheritor.
  - a. If the inheritor dies, the heirs to the inheritor may not inherit share acquisition rights.
  - b. The inheritor must complete inheritance procedures, as defined by the Company, within 10 months and before the final date of the exercise period as defined in "Exercise period for share acquisition rights" above.
  - c. For a period that is within the "Exercise period for share acquisition rights" above and within two months of completion of inheritance procedures, the inheritor must exercise all share acquisition.

**2. Status of Share Acquisition Rights, etc., Granted to Employees, etc., During the Term**  
Not applicable.

**3. Other Significant Items Regarding Share Acquisition Rights**  
Not applicable.

## IV. Company Officers

### 1. Status of Directors and Audit & Supervisory Board Members

#### (1) Directors and Audit & Supervisory Board Members

(As of March 31, 2021)

Name	Position and areas of responsibility within the Company	Significant concurrent positions
Eiji Ishikawa	President & Representative Director	
Takashi Yamaguchi	Senior Managing Director General Manager, Operations Headquarters	President & Representative Director, AKEBONO Servicer Co., Ltd. President & Representative Director, Zenkoku Business Partner, K.K.
Yuichi Aoki	Managing Director General Manager, Management Headquarters	President & Representative Director, MINORI GUARANTEE Co., Ltd. President & Representative Director, Tsukuba Shinyo Hosho Co., Ltd.
Keiichi Asada	Director General Manager, Sales Headquarters	Director, Zenkoku Business Partner, K.K.
Masahito Kamijo	Director (Outside Director)	Outside Director, Hakuto Co., Ltd. Outside Audit & Supervisory Board Member, MiraBiologics Inc.
Yoshiro Nagashima	Director (Outside Director)	Outside Director, KANADEN CORPORATION Audit & Supervisory Board Member, AKEBONO Servicer Co., Ltd. Outside Director, Nakashima Holdings K.K. Audit & Supervisory Board Member, Zenkoku Business Partner, K.K. Audit & Supervisory Board Member, Tsukuba Shinyo Hosho Co., Ltd.
Tomoe Imado	Director (Outside Director)	Partner, Miura & Partners Outside Statutory Auditor, OneBe, Inc.
Mamoru Fujino	Full-time Audit & Supervisory Board Member	
Eri Itagaki	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Deputy Managing Partner, Itagaki C.P.A. & Associates
Takafumi Sato	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	Member of the Supervisory Committee, The Norinchukin Bank
Hidehiko Suzuki	Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	

- (Notes)
1. Directors Masahito Kamijo, Yoshiro Nagashima, and Tomoe Imado are Outside Directors.
  2. Audit & Supervisory Board Members Eri Itagaki, Takafumi Sato, and Hidehiko Suzuki are Outside Audit & Supervisory Board Members.
  3. Director Tomoe Imado and Audit & Supervisory Board Members Eri Itagaki, Takafumi Sato, and Hidehiko Suzuki were newly elected and assumed office at the 40th Annual General Meeting of Shareholders held on June 19, 2020.
  4. Audit & Supervisory Board Members Masaharu Hino and Yasushi Haneda retired at the conclusion of the 40th Annual General Meeting of Shareholders on June 19, 2020 due to the expiration of their terms of office.

5. Director Yoshiro Nagashima resigned as Audit & Supervisory Board Member of Zenkoku Business Partner, K.K. as of March 31, 2021, due to his appointment as Audit & Supervisory Board Member of Tsukuba Shinyo Hosho Co., Ltd. as of the same date.
6. Audit & Supervisory Board Member Eri Itagaki has many years of experience at a major audit firm and a certified public accountant and tax accountant firm, and has knowledge of finance and accounting.
7. Directors Masahito Kamijo, Yoshiro Nagashima, and Tomoe Imado, and Audit & Supervisory Board Members Eri Itagaki, Takafumi Sato, and Hidehiko Suzuki have been registered as Independent Directors/Auditors as stipulated by the Tokyo Stock Exchange.

(2) Summary of Liability Limitation Agreements

The Company's Articles of Incorporation allows for the limitation of liability of Article 423, Paragraph 1 of the Companies Act, for its Directors and Audit & Supervisory Board Members excluding Executive Directors as stipulated by Article 427, Paragraph 1 of the same Act, and the Company has concluded liability limitation agreements with Messrs. Masahito Kamijo, Yoshiro Nagashima, Takafumi Sato, and Hidehiko Suzuki, and Ms. Tomoe Imado and Eri Itagaki.

The limit of liability for Directors and Audit & Supervisory Board Members under the liability limitation agreement is 2 million yen or the lower liability limit stipulated in laws and regulations, whichever is higher.

(3) Summary of Indemnity Agreement

Not applicable.

(4) Summary of Directors and Officers Liability Insurance Agreement

The Company has concluded a Directors and Officers Liability Insurance Agreement with an insurance company covering all Directors and Audit & Supervisory Board Members of the Company and its three subsidiaries (Zenkoku Business Partner, K.K., AKEBONO Servicer Co., Ltd. and MINORI GUARANTEE Co., Ltd.) as the insured parties, and the Company bears the entire insurance premium. The agreement covers litigation expenses and compensation for loss or damage to be borne by insured parties that arise from third party litigation, shareholder derivative litigation, and corporate litigation.

(5) Status of Compensation to Directors and Audit & Supervisory Board Members

1) Matters Concerning Policies for Determining the Details of Compensation, etc. for Individual Directors

In addition to basic compensation, which consists of compensation for the execution of duties and remuneration for improving business performance, the Company has established a compensation system that includes stock compensation-type stock options designed for the Company's sustainable growth and increasing medium- to long-term shareholder value, as well as a fixed compensation system for Outside Directors and Outside Audit & Supervisory Board Members. The Board of Directors has determined that the decision on details of compensation, etc. for individual Directors shall be delegated to President & Representative Director following consultation with the Compensation Committee.

With regard to the stock compensation-type stock options, the Stock Compensation-Type Stock Option Regulations established by the Board of Directors stipulate that the ratio of basic compensation to stock options shall be calculated taking three times the monthly base remuneration as the base amount, with the aim of motivating Directors toward the long-term improvement of corporate value and sharing the merits and risks of fluctuations in stock prices with shareholders.

2) Matters Concerning Resolution of the General Meeting of Shareholders Regarding Compensation, etc. for Directors and Audit & Supervisory Board Members

At the General Meeting of Shareholders on June 28, 2006, a resolution concerning compensation for Directors and Audit & Supervisory Board Members was adopted (five Directors and three Audit & Supervisory Board Members pertaining to such resolution). The upper limit on compensation for Directors is 50 million yen per month (excluding compensation as employees concurrently serving as Director), while the upper limit of compensation to Audit & Supervisory Board Members is 20 million yen per month.

### 3) Matters Concerning Delegating Decision on Compensation, etc. for Individual Directors

The Board of Directors delegates the final decision on the amount of payments to individual Directors to President & Representative Director Eiji Ishikawa. The President & Representative Director decides the amount of individual payments based on discussions by the Compensation Committee, within the limit of the amount of compensation approved at the General Meeting of Shareholders.

Decisions are delegated to the President & Representative Director, as the President & Representative Director is most suited to evaluating the areas of responsibility and duties of each Director, while also having a commanding view of the Company's overall business results.

The amount of compensation for each Director is determined by the Compensation Committee comprised of independent Outside Directors and internal Directors, which discusses and confirms the amount of basic compensation and bonuses based on the achievement of business results and business execution.

The Compensation Committee held meetings in June 2020 and March 2021 to discuss the amount of individual payments and their appropriateness. Given that individual compensation for Directors is determined through such procedures, the Board of Directors determines that their contents observe the decision policies.

### 4) Total amount of Compensation to Directors and Audit & Supervisory Board Members

Category	Persons	Total compensation, etc. (million yen)	Amount of compensation, etc., by type (million yen)			
			Monetary compensation, etc.			Non-monetary compensation, etc.
			Basic compensation	Bonuses	Performance-based compensation, etc.	Stock options
Directors (Of which, Outside Directors)	7 persons (3 persons)	201 (24)	141 (20)	30 (4)	— (—)	29 (—)
Audit & Supervisory Board Members (Of which, Outside Audit & Supervisory Board Members)	6 persons (5 persons)	42 (20)	34 (16)	7 (3)	— (—)	— (—)
Total (Of which, Outside Officers)	13 persons (8 persons)	243 (45)	175 (36)	37 (8)	— (—)	29 (—)

- (Notes)
1. At the 26th Annual General Meeting of Shareholders on June 28, 2006, a resolution was adopted to establish an upper limit on compensation to Directors of 50 million yen per month as a fixed compensation limit (excluding compensation as employees concurrently serving as Director), and this amount includes bonuses.
  2. At the 26th Annual General Meeting of Shareholders on June 28, 2006, a resolution was adopted to establish an upper limit on compensation to Audit & Supervisory Board Members of 20 million yen per month as a fixed compensation limit, and this amount includes bonuses.
  3. At the 34th Annual General Meeting of Shareholders on June 20, 2014, a resolution was adopted to establish an upper limit on compensation in the form of stock options to Directors of 92 million yen per year (excluding compensation as employees concurrently serving as Director).
  4. Amounts for stock options are the amounts recorded as expenses for the fiscal year in which the share acquisition rights were issued. The details and status of stock options are as stated in III Matters Regarding Share Acquisition Rights, etc., of the Company.
  5. The number of persons as of March 31, 2021 is seven Directors and four Audit & Supervisory Board Members. The disparity in this number of Audit & Supervisory Board Members and the number listed above is due to the inclusion of two Audit & Supervisory Board Members who retired on June 19, 2020 at the conclusion of the 40th Annual General Meeting of Shareholders.
  6. In addition to the above, the amount of compensation Outside Officers received from subsidiaries of the Company as Officers was 5,300 thousand yen.

## 2. Matters Regarding Outside Officers

### (1) Status of Significant Concurrent Positions of Outside Officers

Name	Position	Status of Significant Concurrent Positions
Masahito Kamijo	Outside Director	Outside Director, Hakuto Co., Ltd. Outside Audit & Supervisory Board Member, MiraBiologics Inc.
Yoshiro Nagashima	Outside Director	Outside Director, KANADEN CORPORATION Audit & Supervisory Board Member, AKEBONO Servicer Co., Ltd. Outside Director, Nakashima Holdings K.K. Audit & Supervisory Board Member, Zenkoku Business Partner, K.K. Audit & Supervisory Board Member, Tsukuba Shinyo Hosho Co., Ltd.
Tomoe Imado	Outside Director	Partner, Miura & Partners Outside Statutory Auditor, OneBe, Inc.
Eri Itagaki	Outside Audit & Supervisory Board Member	Deputy Managing Partner, Itagaki C.P.A. & Associates
Takafumi Sato	Outside Audit & Supervisory Board Member	Member of the Supervisory Committee, The Norinchukin Bank
Hidehiko Suzuki	Outside Audit & Supervisory Board Member	

(Notes) 1. Zenkoku Business Partner, K.K., AKEBONO Servicer Co., Ltd., and Tsukuba Shinyo Hosho Co., Ltd. are wholly-owned subsidiaries of the Company.

2. There are no significant transactions or other relationships between the Company and other companies at which concurrent positions are held.

3. Director Yoshiro Nagashima resigned as Audit & Supervisory Board Member of Zenkoku Business Partner, K.K. as of March 31, 2021, due to his appointment as Audit & Supervisory Board Member of Tsukuba Shinyo Hosho Co., Ltd. as of the same date.

### (2) Conflicts of Interest with Outside Officers

The Company does not have any conflicts of interest with Outside Officers concerning personal relationships, capital relationships, transaction relationships, or other relationships. Furthermore, the Company, persons involved in business execution at designated related parties, or Officers (excluding persons involved in business execution) do not have family relationships, transaction relationships, or other relationships that constitute conflicts of interest with Outside Officers.

(3) Principal Activities of Outside Officers During the Fiscal Year Under Review

Name	Position	Status of Comments
Masahito Kamijo	Outside Director	Attended all 15 Board of Directors meetings during the fiscal year under review. Based primarily on his wealth of experience and high level of knowledge in finance and corporate management, he actively asked questions at the Board of Directors meetings and provided suggestions from a specialist perspective, thereby fulfilling his role of making decisions on important management matters of the Company and supervising the execution of duties.
Yoshiro Nagashima	Outside Director	Attended all 15 Board of Directors meetings during the fiscal year under review. Based primarily on his wealth of experience and wide range of knowledge in corporate management, he actively asked questions at the Board of Directors meetings and provided suggestions from a specialist perspective, thereby fulfilling his role of making decisions on important management matters of the Company and supervising the execution of duties.
Tomoe Imado	Outside Director	Attended all 10 Board of Directors meetings during the period after assuming office. Based primarily on her wealth of experience and specialized knowledge in judicial affairs, she actively asked questions at the Board of Directors meetings, and provided suggestions from a specialist perspective, thereby fulfilling her role of making decisions on important management matters of the Company and supervising the execution of duties.
Eri Itagaki	Outside Audit & Supervisory Board Member	Attended all 10 Board of Directors meetings and 10 Audit & Supervisory Board meetings held after assuming office. At Board of Directors meetings and Audit & Supervisory Board meetings, she made appropriate comments based on her wealth of experience and high level of knowledge of accounting acquired through many years of experience at a major audit firm and a certified public accountant and tax accountant firm. Furthermore, under the audit policies defined by the Audit & Supervisory Board, she conducted audits, etc., of each department, adequately fulfilling audit functions as an Audit & Supervisory Board Member.
Takafumi Sato	Outside Audit & Supervisory Board Member	Attended all 10 Board of Directors meetings and 10 Audit & Supervisory Board meetings held after assuming office. At Board of Directors meetings and Audit & Supervisory Board meetings, he made appropriate comments based on his wealth of experience and high level of knowledge acquired through many years of experience at the Ministry of Finance and service in important posts such as Commissioner of the Financial Services Agency. Furthermore, under the audit policies defined by the Audit & Supervisory Board, he conducted audits, etc., of each department, adequately fulfilling audit functions as an Audit & Supervisory Board Member.
Hidehiko Suzuki	Outside Audit & Supervisory Board Member	Attended all 10 Board of Directors meetings and 10 Audit & Supervisory Board meetings held after assuming office. At Board of Directors meetings and Audit & Supervisory Board meetings, he made appropriate comments based on his wealth of experience and high level of knowledge acquired through experience of holding a number of important positions at the Ministry of Finance and Financial Services Agency and managing director of a financial institution. Furthermore, under the audit policies defined by the Audit & Supervisory Board, he conducted audits, etc., of each department, adequately fulfilling audit functions as an Audit & Supervisory Board Member.

**3. Other Information Regarding Independence of Outside Officers**

Concerning criteria for assessing independence of Outside Directors, the Company determines, under the Basic Policy on Corporate Governance, that an Outside Directors is independent when he or she does not contravene the requirements of the Independence Standard stipulated by the Tokyo Stock Exchange.



## V. Accounting Auditor

### 1. Accounting Auditor's Name

Grant Thornton Taiyo LLC

### 2. Accounting Auditor's Compensation, etc.

	Amount paid
Compensation, etc., for the Accounting Auditor for the fiscal year under review	29 million yen
Total cash and other profits payable by the Company to Accounting Auditor	29 million yen

- (Notes)
1. As a result of confirmation and assessment of the contents of the audit plan for the Accounting Auditor, their performance of duties, and calculation of remuneration estimates, the Audit & Supervisory Board agreed to compensation, etc., for the Accounting Auditor based on their judgment that is reasonable and appropriate in order to maintain and improve audit quality.
  2. Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated, and otherwise cannot be separated. Consequently, the above amount reflects total compensation.

### 3. Description of Non-Audit Services

Not applicable.

### 4. Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditors

In the event that significant doubt is cast upon the ability of the Accounting Auditor to continue to perform its duties, the Company's policy is for a resolution of the Audit & Supervisory Board to present a proposal to a General Meeting of Shareholders to either terminate or not renew the agreement.

### 5. Liability Limitation Agreement

Not applicable.

### 6. Summary of Indemnity Agreement

Not applicable.

## **VI. Company's Systems and Policies**

### **1. System to ensure proper execution of business**

At a meeting held on May 1, 2006, the Board of Directors decided upon a basic policy toward creating systems to ensure proper execution of business, based on Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraph 1 and Paragraph 3 of the Ordinance for Enforcement of the Companies Act, and most recently, partially revised the basic policy at a meeting held on February 5, 2018.

The contents are as follows.

- (1) System to ensure that Directors' and employees' execution of duties complies with law and regulations and the Articles of Incorporation
  - 1) The Board of Directors and Directors recognize and practice compliance with laws and regulations as a basic principle of all corporate actions based on the Corporate Code of Ethics and Code of Conduct with the basic philosophy of the core principle of compliance with laws and regulations, and ensure officers and employees have a thorough awareness of compliance so that it is established as the corporate culture.
  - 2) The Board of Directors and Directors, in accordance with Compliance Regulations, establish and reinforce compliance systems by means such as the establishment of the General Compliance Department and General Manager in charge of Compliance, and a Compliance Committee, which is a monitoring institution.
  - 3) The Board of Directors and Directors, in accordance with Compliance Regulations, develop a compliance program for each fiscal year, which is a specific implementation plan. In addition, General Compliance Department prepares manuals, etc. for compliance, and enhance effectiveness of compliance by fostering awareness through training, etc.
  - 4) The Board of Directors and Directors, in accordance with the Whistle-blower Regulations, assign third parties as external contact points, in addition to internal contact points. If officers and employees identified material facts concerning compliance, those officers and employees shall take appropriate measures using these contact points.
- (2) System for storage and management of information related to Directors' execution of duties
  - 1) In line with Regulations on the Storage of Documents and related detailed regulations, etc., the Company will record information relating to Directors' execution of duties in document form or as electronic media, and store, manage, and utilize such information in an appropriate manner.
  - 2) Directors and Audit & Supervisory Board Members may consult these records in the form of documents and electronic media at any time.
- (3) Regulations or any other systems for management of risk of loss (risk management)
  - 1) The Board of Directors and Directors, under Risk Management Regulations, establish and reinforce risk management systems by means such as the General Risk Department and General Manager in Charge of Risk Management, and the establishment of a Risk Management Committee, which is a monitoring institution.
  - 2) In order to address each risk intrinsic to our business operation, the Board of Directors and Directors, striking an appropriate balance with return, etc., conduct risk management by quantifying and integrating credit risks, market risks and operational risks (system risk and administrative risk) to compare them with the operational capacity (risk capital) of the Company.
  - 3) Based on the "Regulations for Crisis Management" and "Regulations for Business Continuity," the Company will strive to strengthen and enrich its crisis management structure by thorough implementation of crisis control and efforts to maintain external credit by early recovery of business operations in case of business interruption.
- (4) System to ensure that Directors' execution of duties is efficient
  - 1) In order to establish company-wide targets shared by Directors and employees, the Company clarifies management issues in light of changes in the external and internal environments, and formulates a Medium-term Management Plan for a period of three fiscal years.
  - 2) Based on the Medium-term Management Plan, the Board of Directors and Directors set business results targets and efficient budgets for each business division (branch office) every

- fiscal year, and in order to make functional a PDCA cycle to advance and achieve these goals, appropriate distribution of management resources will be made to each business division according to the basic risks and profitability of operation.
- 3) The status of business execution at each business department (branch office) is reported regularly to the Board of Directors, deliberations are held, and measures are taken as necessary.
  - 4) Regarding monthly business performance, performance against targets is reported to the Board of Directors each month, and in the event that the result differs from the target figure, the reason for the difference is reported and measures to ensure the achievement of targets are discussed.
  - 5) The Director in charge of each business division (branch office) will maintain regulations regarding division of operations and delegation of duties, and while cooperating with each business division (branch office), implement efficient operational management such that control functions are effectively exhibited.
- (5) System to ensure proper business execution within the Company group
- 1) The Company establishes a system concerning reporting to the Company of matters regarding execution of duties by Directors of subsidiaries. Particularly, the Company takes measures to increase the effectiveness of internal control systems at subsidiaries and provides the necessary guidance and support that enable reporting the result of these efforts to the Parent.
  - 2) The Company establishes regulations or any other systems for management of risk of loss at subsidiaries.
  - 3) The Company establishes a system that ensures efficient execution of duties by Directors, etc. of its subsidiaries.
  - 4) The Company establishes a system that ensures execution of duties by Directors, etc. and employees of subsidiaries is in compliance with laws and regulations and the Articles of Incorporations.
- (6) Matters relating to employees assigned to assist Audit & Supervisory Board Members in their duties, in the event that Audit & Supervisory Board Members have requested such employees
- 1) Directors appoint Audit & Supervisory Board Member staff whose duty is to assist Audit & Supervisory Board Members with audits.
  - 2) Employees appointed as Audit & Supervisory Board Member staff focus solely on their duty to assist Audit & Supervisory Board Members with audits.
- (7) Matters relating to the independence of employees assigned to assist Audit & Supervisory Board Members from Directors, and matters relating to ensuring effectiveness of directions to employees assigned to assist Audit & Supervisory Board Members
- 1) Concerning personnel transfers, etc. regarding Audit & Supervisory Board Member staff, the Company hears and respects views of Audit and Supervisory Board Members, and ensure independence from Directors.
  - 2) Audit & Supervisory Board Member staff shall carry out their duties under the direction of Audit & Supervisory Board Member, and do not receive directions from Directors, etc.
- (8) Systems described below and other systems related to reports to Audit & Supervisory Board Members of the Company
- 1) The Company establishes systems to allow Directors and employees to report to Audit & Supervisory Board Members. Especially, a system shall be established that allows matters that have a significant impact on the Company or its subsidiaries and the status of matters that raise suspicions related to compliance to be quickly reported to Audit & Supervisory Board Members.
  - 2) The Company establishes systems to allow Directors, Audit & Supervisory Board Members and employees of subsidiaries or persons that receive reports therefrom to report to Audit & Supervisory Board Members. Especially, a system shall be established that allows Directors or employees of subsidiaries to quickly report to Audit & Supervisory Board Members matters that have a significant impact on the Company or its subsidiaries and the status of matters that raise suspicions related to compliance.

- (9) System to ensure that persons reporting to Audit & Supervisory Board Members not be treated unfavorably because of the report
  - 1) In order to assure reliability of the whistle-blower system, the Company prohibits to treat whistle-blowers that made the report unfavorably, and thoroughly inform Directors and employees to that effect.
- (10) Matters concerning a policy with regard to treatment of costs and liabilities incurred on execution of duties by Audit & Supervisory Board Members
  - 1) Audit & Supervisory Board Members, in accordance with Standards for Audits by Audit & Supervisory Board Members, appropriate a budget for costs that are necessary for their execution of duties in advance. However, Audit & Supervisory Board Members may subsequently request reimbursement for costs incurred in emergent or incidental circumstances.
- (11) Other systems to ensure Audit & Supervisory Board Members' audits are effective
  - 1) The Representative Director regularly holds meetings with Audit & Supervisory Board Members to exchange opinions on matters such as issues that the Company should address, the status of improvement of environment for audit by Audit & Supervisory Board Members, and important audit issues.
  - 2) A three-pronged Auditor Liaison Committee comprised of Audit & Supervisory Board Members, the Internal Auditing Department, and the Accounting Auditor is regularly held to exchange opinions on the results of audits and other businesses.
- (12) System to ensure reliability of financial reporting and to provide such reporting in an appropriate and timely manner
  - 1) The Company provides reliable financial reporting to all stakeholders including shareholders in an appropriate and timely manner, in response to the internal control reporting system regarding financial reporting under the Financial Instruments and Exchange Act.
  - 2) The Company recognizes importance of the role of internal control over financial reporting, and appropriately establishes and operates basic components of internal control (i.e., control environment, risk assessment and response, control activities, information and communication, monitoring, and response to IT).
  - 3) The Company determines a department in charge of related businesses so that internal control over financial reporting works effectively.
- (13) System to eliminate antisocial forces
  - 1) The Company establishes a basic policy and strives to establish an internal consensus for dealing with antisocial forces, in order to prevent the damage caused by so-called antisocial forces, namely groups or individuals that use violence, force, and fraudulent methods in the pursuit of economic gain.
  - 2) The Company ensures Directors and employees have a thorough awareness of the basic policy for dealing with antisocial forces, while also taking a firm stance against antisocial forces and completely forbidding any relationship with such forces.

## **2. Overview of the status of implementation of systems to ensure proper execution of business**

Overview of the status of implementation of systems to ensure proper execution of business is as follows:

- (1) Matters concerning compliance
  - Under the Compliance Regulations, the Company, by developing a compliance program, has held regular internal training sessions, position-based education sessions and periodic testing according to job classes, and has made efforts to ensure thorough understanding and awareness among officers and employees.
  - Compliance Committee has met monthly in principle to monitor the status of implementation of the compliance program, and to discuss and determine important matters concerning compliance to report to the Board of Directors.
  - Under the Whistle-blower Regulations, the Company has set up multiple external contact points such as a law firm, in addition to an internal contact point to reinforce the consulting system.
- (2) Matters concerning risks
  - Risk Management Committee has met monthly in principle to review the status of occurrence of each risk, status of management and status of implementation of risk management system, analyze risks from various viewpoints including an analysis utilizing the comprehensive risk management system, and make reports to the Board of Directors.
  - The Company has formulated Regulations for Crisis Management that stipulate establishment of crisis management headquarters and Regulations for Business Continuity that stipulate the way of business resumption upon the occurrence of events affecting business continuity such as natural disasters, and has established a system for emergency preparedness.
- (3) Matters concerning execution of duties by Directors
  - The Company has appropriately been storing and managing documents related to Directors' execution of duties in accordance with Regulations on the Storage of Documents and related detailed regulations, etc. Such documents have been made available to Directors and Audit & Supervisory Board Members at any time.
  - The Board of Directors has been receiving reports regarding the status of implementation of the business plan for every quarter, and regarding comparison of budget plan and actual results for every month, and has been overseeing efficient execution of duties by Directors. In addition, the Board of Directors has discussed measures to be taken as necessary, in the event that the result differs from the budget plan.
- (4) Matters concerning Audit & Supervisory Board Members
  - In order to facilitate activities of Audit & Supervisory Board Members, the Company has appointed one dedicated Audit & Supervisory Board Member staff whose duty is to assist Audit & Supervisory Board Members with audits. The appointment of the Audit & Supervisory Board Member staff has been decided in consultation with Audit & Supervisory Board Members, and independence has been ensured for such appointment.
  - Full-time Audit & Supervisory Board Members, under the audit policies and plan developed by the Audit & Supervisory Board, have attended important meetings including the meetings of the Board of Directors and the management meetings, and conducted audits of execution of duties by Directors regarding overall management and individual matters, through conducting interviews to, and receiving reports from, each department as necessary. Also monthly meetings have been held among President & Representative Director, Accounting Auditor and the Internal Auditing Department to exchange opinions.

**Balance Sheets**  
(As of March 31, 2021)

(Amount: million yen)

Description	Amount	Description	Amount
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>193,936</b>	<b>Current liabilities</b>	<b>31,558</b>
Cash and deposits	177,649	Unearned revenue	16,869
Right to reimbursement	12,995	Deposits received	47
Securities	9,527	Accounts payable - other	1,096
Accounts receivable - other	172	Income taxes payable	7,433
Prepaid expenses	58	Provision for bonuses	310
Other	841	Provision for loss on guarantees	5,639
Allowance for doubtful accounts	(7,308)	Provision for shareholder benefit program	124
<b>Non-current assets</b>	<b>202,324</b>	Other	35
<b>Property, plant and equipment</b>	<b>234</b>	<b>Non-current liabilities</b>	<b>198,841</b>
Buildings	234	Long-term borrowings	30,000
Accumulated depreciation	(159)	Long-term unearned revenue	168,768
Vehicles	55	Provision for share-based remuneration	73
Accumulated depreciation	(31)	<b>Total liabilities</b>	<b>230,400</b>
Tools, furniture and fixtures	474	<b>Net assets</b>	
Accumulated depreciation	(342)	<b>Shareholders' equity</b>	<b>165,427</b>
Land	4	<b>Share capital</b>	<b>10,703</b>
<b>Intangible assets</b>	<b>584</b>	<b>Capital surplus</b>	<b>637</b>
Software	531	Legal capital surplus	637
Software in progress	49	<b>Retained earnings</b>	<b>154,292</b>
Other	3	Legal retained earnings	2,055
<b>Investments and other assets</b>	<b>201,505</b>	Other retained earnings	152,237
Investment securities	170,582	Reserve for loss on guarantees	125,200
Shares of subsidiaries and associates	7,674	Retained earnings brought forward	27,037
Long-term loans receivable	2,405	<b>Treasury shares</b>	<b>(206)</b>
Long-term time deposits	16,000	<b>Valuation and translation adjustments</b>	<b>254</b>
Long-term prepaid expenses	167	Valuation difference on available-for-sale securities	254
Prepaid pension cost	15	<b>Share acquisition rights</b>	<b>178</b>
Deferred tax assets	4,078		
Other	581	<b>Total net assets</b>	<b>165,860</b>
<b>Total assets</b>	<b>396,261</b>	<b>Total liabilities and net assets</b>	<b>396,261</b>

## Statements of Income

(April 1, 2020 - March 31, 2021)

(Amount: million yen)

Description	Amount	
<b>Operating revenue</b>		
Income guarantee fee	47,668	
Other income	165	<b>47,834</b>
<b>Operating expenses</b>		
Provision for loss on guarantees	2,560	
Provision of allowance for doubtful accounts	288	
Salaries, allowances and bonuses	1,644	
Provision for bonuses	310	
Depreciation	288	
Other	4,507	<b>9,600</b>
<b>Operating income</b>		<b>38,233</b>
<b>Non-operating income</b>		
Interest income	143	
Interest on securities	1,285	
Dividend income	55	
Other	54	<b>1,538</b>
<b>Non-operating expenses</b>		
Interest expenses	777	
Commission expenses	2	
Other	0	<b>780</b>
<b>Ordinary income</b>		<b>38,991</b>
<b>Income before income taxes</b>		<b>38,991</b>
Income taxes - current	11,863	
Income taxes - deferred	125	11,989
<b>Net income</b>		<b>27,002</b>

# Statements of Changes in Equity

(April 1, 2020 - March 31, 2021)

(Amount: million yen)

	Shareholders' equity								
	Share capital	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					Reserve for loss on guarantees	Retained earnings brought forward			
Balance at beginning of period	10,703	637	637	2,055	107,300	24,477	133,832	(225)	144,948
Changes of items during period									
Dividends of surplus						(6,542)	(6,542)		(6,542)
Provision of reserve for loss on guarantees					17,900	(17,900)	-		-
Net income						27,002	27,002		27,002
Purchase of treasury shares								(0)	(0)
Disposal of treasury shares								19	19
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	17,900	2,559	20,459	19	20,479
Balance at end of current period	10,703	637	637	2,055	125,200	27,037	154,292	(206)	165,427

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(47)	(47)	148	145,049
Changes of items during period				
Dividends of surplus				(6,542)
Provision of reserve for loss on guarantees				-
Net income				27,002
Purchase of treasury shares				(0)
Disposal of treasury shares				19
Net changes of items other than shareholders' equity	302	302	29	331
Total changes of items during period	302	302	29	20,811
Balance at end of current period	254	254	178	165,860



Independent Auditor's Report  
(English Translation)

May 10, 2021

To the Board of Directors  
ZENKOKU HOSHO Co., Ltd.

Grant Thornton Taiyo LLC  
Tokyo Office  
Certified Public Accountant  
Designated Limited Liability Partner      Kenji Namiki      [Seal]  
Engagement Partner  
Certified Public Accountant  
Designated Limited Liability Partner      Daisuke Noda      [Seal]  
Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheets, the statements of income, the statements of changes in equity and the related notes, and the related supplementary schedules of ZENKOKU HOSHO Co., Ltd. (the "Company") for the 41st fiscal year from April 1, 2020 to March 31, 2021.

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2021, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Related Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the related supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the related supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

## Auditor's Responsibility for the Audit of the Financial Statements and the Related Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the related supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the related supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the related supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the related supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the related supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the related supplementary schedules in the audit report, or if the notes to the financial statements and the related supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the related supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the related supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the related supplementary schedules including related notes, and whether the financial statements and the related supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

## Interest

Neither Grant Thornton Taiyo LLC nor any of the Engagement Partners has any interest in the Company which should be disclosed under the provisions of the Certified Public Accountants Act.

## **Audit Report**

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the Directors' execution of their duties during the 41st fiscal year from April 1, 2020 to March 31, 2021, based on the audit reports prepared by each Audit & Supervisory Board Member and hereby reports as follows:

1. Auditing Method Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof
  - (1) The Audit & Supervisory Board established audit policies, audit plan, etc. and received reports from all the Audit & Supervisory Board Members regarding the execution of audits and the results thereof. In addition, we requested reports, and explanations as necessary, from Directors, etc. and the Accounting Auditor regarding the execution of their duties.
  - (2) In accordance with the audit policies, established by the Audit & Supervisory Board, and pursuant to audit policies, audit plan, etc., we attempted communication with Directors, the Audit Department, and other employees, etc. while utilizing means via telephone lines or the Internet, etc., and worked to gather information and establish an auditing environment, and carried out audits in the following manner:
    1. We attended the Board of Directors' meetings and other important meetings, received reports from the Directors and other employees, etc. regarding the execution of their duties, requested explanations as necessary, inspected documents, etc., related to important decisions, and examined the operations and assets at the Company's headquarters and principal offices. With regard to the Company's subsidiary, the Audit & Supervisory Board attempted communication with its Directors, Audit & Supervisory Board Members, etc., and received report as necessary from the subsidiary.
    2. With respect to the resolution of the Board of Directors concerning the development of the system to ensure the compliance of Directors with laws, regulations and the Articles of Incorporation in the execution of their duties described in the Business Report and other systems required to ensure the properness of the operations of corporate group consisting of joint stock company (kabushiki-kaisha) and its subsidiaries as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, as well as the system (internal control system) developed based on said resolution of the Board of Directors, we received regular reports regarding the status of implementation and operation thereof from the Directors and other employees, sought explanations as necessary, and expressed opinion thereon.
    3. We monitored and verified whether the Accounting Auditor had maintained its independence and conducted audits appropriately, and received reports, and sought explanations as necessary, from the Accounting Auditor regarding the execution of its duties. The Audit & Supervisory Board received notification from the Accounting Auditor to the effect that "systems for ensuring appropriate execution of duties" (matters listed in each item of Article 131 of the Ordinance on Accounting of Companies) has been established in accordance with "Quality Control Standards for Auditing" (dated October 28, 2005 by Business Accounting Council), etc., and we requested explanations as necessary.

Based on the above, we examined the Business Report and the related supplementary schedules, the financial statements (the balance sheets, the statements of income, the statements of changes in equity, and the notes to financial statements) and the related supplementary schedules for the fiscal year under review.

2. Audit Results
  - (1) Results of Audit of Business Report, etc.
    1. In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
    2. No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.
    3. We found that the Board of Directors' resolutions concerning the internal control system are appropriate in content. We also found no matters requiring note with respect to the description of

the Business Report and the execution of duties by Directors concerning the said internal control system.

- (2) Results of Audit of Non-consolidated Financial Statements and Related Supplementary Schedules  
We found that the methods and the results of the audit conducted by Accounting Auditor, Grant Thornton Taiyo LLC, are appropriate.

May 12, 2021

Audit & Supervisory Board  
ZENKOKU HOSHO Co., Ltd.

Full-time Audit & Supervisory Board Member	Mamoru Fujino
Outside Audit & Supervisory Board Member	Eri Itagaki
Outside Audit & Supervisory Board Member	Takafumi Sato
Outside Audit & Supervisory Board Member	Hidehiko Suzuki

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal No. 1: Distribution of Surplus

The Company considers profit distribution to its shareholders as one of the important aspects of its business. Its basic dividend policy is to pay stable, continuous cash dividends based on comprehensive consideration of the entire business, while securing internal reserves to maintain a solid financial foundation as a housing loan guarantee company. Under this policy, the Company proposes the following year-end dividends and distribution of surplus for the fiscal year under review.

1. Matters concerning year-end dividends
  - (1) Type of dividend property  
Cash
  - (2) Matters concerning the allotment of dividend property and the total amount  
117 yen per share of common stock  
Total amount of 8,057,941,866 yen
  - (3) Effective date of distribution of surplus  
June 21, 2021
2. Other matters concerning the distribution of surplus
  - (1) Item and the amount of surplus to be increased  
Reserve for loss on guarantees      18,900,000,000 yen
  - (2) Item and amount of surplus to be decreased  
Retained earnings brought forward      18,900,000,000 yen

## **Proposal No. 2: Revision of the Amount of Compensation, etc. for Directors and Audit & Supervisory Board Members**

At the 26th Annual General Meeting of Shareholders on June 28, 2006, the compensation, etc. of Directors was approved at an amount not exceeding 50 million yen per month (excluding compensation as employees concurrently serving as Director).

On this occasion, in order to create a compensation system that can flexibly manage compensation for Directors, the Company proposes revising the amount of compensation for Directors from a monthly basis to an annual basis, and revising the compensation to an amount not exceeding 600 million yen per year (of which, an amount not exceeding 50 million yen for Outside Directors), equivalent to 12 times the current monthly amount of 50 million yen.

The summary of the Company's policies for determining the details of compensation, etc. for individual Directors is outlined on page 13 of the Business Report, and the Company intends to change the details as follows on the condition that Proposal No. 3 is approved. This change is planned based on various circumstances, including the state of the Company's management system and the economic situation, and the Company believes that this proposal is appropriate in light of the details in the policies both before and after the change.

[Summary of Details in Policies for Determining the Details of Compensation, etc. for Individual Directors After the Change]

### **1. Summary of compensation system**

#### **(1) Executive Directors**

The Company's compensation, etc. for Executive Directors is comprised of basic compensation for each position in accordance with the level of responsibility, and performance-based compensation, etc. that varies depending on business results and other factors. Performance-based compensation, etc. is comprised of performance-based bonuses paid in cash, and performance-based stock compensation, etc. paid in shares.

Performance-based compensation, etc. is included as a part of compensation, etc. in order for Executive Directors to share the awareness in profit due to fluctuations in business performance and stock prices with shareholders, and to strengthen their awareness of improving corporate value.

#### **(2) Outside Directors**

Compensation for Outside Directors consists only of basic compensation, from the perspective of judging the appropriateness of business execution from an objective standpoint independent from business execution and ensuring appropriate corporate supervisory functions.

### **2. Process for determining the compensation system**

The process for determining compensation, etc. for Directors shall be determined by the Board of Directors following consultations with Nomination and Compensation Committee and based on their advice and recommendations, and Board of Directors has the authority to make such decisions. The Nomination and Compensation Committee is chaired by an independent Outside Director, and is comprised of three members in total, two independent Outside Directors and one internal Director.

### **3. Linked indicators**

The Company places importance on management indicators such as operating income in a single fiscal year for the short-term, and the outstanding guarantee exposure for the medium to long-term, for the sustainable development of its business. Consequently, in terms of the linked indicators for performance-based compensation, etc., performance-based bonuses, which by its nature is a short-term incentive compensation, etc., is based on operating income, while performance-based stock compensation, etc., which by its nature is a medium- to long-term incentive compensation, etc., is based on the outstanding guarantee exposure, etc.

4. Percentage of performance-based compensation, etc. in compensation, etc.

The composition of compensation, etc. for the Company's Directors is as follows.

Officer Category	Basic Compensation	Performance-based compensation, etc.	
		Bonuses	Stock
Executive Directors	60%	16%	24%
Outside Directors	100%	-	-

\* The percentage of compensation, etc. for Executive Directors represents the percentage of the performance-based compensation, etc., when the achievement of the performance indicator plan is 100%.

There are currently seven Directors (including three Outside Directors), and there will be no change to this number after the conclusion of this Annual General Meeting of Shareholders.

The Company proposes that, as in the past, the above-stated amount of compensation, etc. for Directors does not include compensation as employees concurrently serving as Director.

Furthermore, while an amount not exceeding 20 million yen per month was approved as compensation, etc. for Audit & Supervisory Board Members at the 26th Annual General Meeting of Shareholders on June 28, 2006, on this occasion, in accordance with the establishment of an annual amount of compensation for Directors, the Company proposes revising the compensation for Audit & Supervisory Board Members to an amount not exceeding 240 million yen per year, equivalent to 12 times the current monthly amount of 20 million yen. There are currently four Audit & Supervisory Board Members, and there will be no change to this number after the conclusion of this Annual General Meeting of Shareholders.

### **Proposal No. 3: Determination of the Amount and Details of Performance-based Stock Compensation, etc. for Directors**

#### **1. Reason for the proposal and the grounds for considering the compensation system to be appropriate**

Compensation, etc. for Directors of the Company comprises basic compensation, bonuses, and stock compensation-type stock options. On this occasion, subject to the approval of this Proposal, the Company proposes the abolishment of the stock compensation-type stock option compensation system, and the introduction of a new performance-based stock compensation plan (hereinafter the “Plan”) for Directors (excluding Outside Directors, as follows). The Company requests that the details of the Plan be delegated to the Board of Directors within the framework outlined in 2. below.

The Plan is aimed at raising the awareness of Directors to contribute to enhancing the Company’s business performance on a medium- to long-term basis and improving corporate value, by clarifying the linkage between Directors’ compensation, etc., the Company’s performance, and the value of the Company’s stock, and having Directors share the profits and risks of fluctuations in stock prices with shareholders. The Company believes that this Plan is appropriate, taking into consideration the details of the Plan, its aims, the number of eligible Directors, and the current stock price, etc. The details of the Company’s policy for determining the details of compensation, etc. for individual Directors are as outlined on page 13 of the Business Report, and the Company intends to change the details as stated in Proposal No. 2 [Summary of Details in Policies for Determining the Details of Compensation, etc. for Individual Directors After the Change], on the condition that this Proposal is approved.

Specifically, the Company proposes paying Directors (excluding Outside Directors, and the same applies hereafter) in office during the medium-term management plan (hereinafter the “Applicable Period”) a new performance-based stock compensation, etc., separately from the upper limit on compensation, etc. for Directors proposed in Proposal No. 2 (an amount not exceeding 600 million yen per year (of which, an amount not exceeding 50 million yen for Outside Directors), excluding salary for employees concurrently serving as Director). However, as the Company is currently promoting its medium-term management plan covering the three fiscal years from April 1, 2020 to March 31, 2023, the initial Applicable Period after the introduction of the Plan shall be the two fiscal years from April 1, 2021 to March 31, 2023 (hereinafter the “Initial Applicable Period”).

If this Proposal is approved as originally proposed, the stock compensation-type stock option compensation plan for Directors approved at the 34th Annual General Meetings of Shareholders on June 20, 2014 will be abolished. In addition, as described below, the unexercised share acquisition rights as stock options that have already been granted to Directors shall be waived and extinguished by Directors, and corresponding amount of points based on this Plan shall be granted instead.

The number of Directors eligible for this Plan is four.

#### **2. Amount of compensation and details of the Plan**

##### **(1) Outline of the Plan**

Under this Plan, the trust established with the money contributed by the Company (hereinafter “the Trust”) acquires shares of the Company, and the number of shares of the Company equivalent to the number of points the Company grants to each Director is issued to each of the Directors through the Trust.

Such points shall be granted to the Company’s Directors who are in office during the Applicable Period in accordance with the share issuance rules established by the Board of Directors, and shall be based on their position and the achievement of the planned values in the medium-term management plan.

As a general rule, the Directors receive the shares of the Company at the time of their retirement from office.



(i)	Eligible persons under the Plan	Directors of the Company (excluding Outside Directors)
(ii)	Initial Applicable Period	For two fiscal years from April 1, 2021 to March 31, 2023
(iii)	Maximum amount of contribution by the Company as funds necessary to acquire shares of the Company for issuance to eligible persons in (i) during the Initial Applicable Period in (ii)	Total of 500 million yen of which, (i) an amount equivalent to the share acquisition funds for points as compensation, etc. during the Initial Applicable Period: 200 million yen (ii) an amount equivalent to the share acquisition funds for points corresponding to the waiver of stock compensation-type stock options: 300 million yen
(iv)	Method of purchase of the Company's shares	Disposal of treasury shares or acquisition of shares on a stock exchange (including off-floor trading)
(v)	Maximum total amount of points granted to eligible persons in (i)	40,000 points per fiscal year However, up to 47,780 points will be separately granted as points corresponding to the waiver of stock compensation-type stock options, without delay after establishing the Trust
(vi)	Standards for granting points	Points are granted according to the position and achievement of planned values in the medium-term management plan
(vii)	Period in which shares of the Company are issued to eligible persons in (i)	As a general rule, at the time of retirement from office

(2) Maximum amount of money contributed by the Company

The initial trust period of the Trust shall be approximately two years. During the Initial Applicable Period, the Company shall contribute cash of up to a total of 500 million yen as compensation, etc. for Directors in office, as funds to acquire shares of the Company necessary for issuance to Directors under the Plan during the Initial Applicable Period, and shall establish the Trust whose beneficiaries are the Directors who will acquire beneficial interests as described in (3) (iii) below (Note 1, Note 2). The Trust shall use the money contributed by the Company to acquire the shares of the Company by means of disposing of the Company's treasury shares or purchasing shares on a stock exchange (including off-floor trading).

Note 1 : The cash the Company actually places in the Trust is the amount which includes the expected necessary costs, such as trust fees and custodian fees, in addition to the aforementioned funds for acquiring shares of the Company.

Note 2: In accordance with the introduction of the Plan, the Company plans to grant corresponding points (10 points per share acquisition right) to the share acquisition rights as stock options that have been granted to Directors but have not yet been exercised based on the Plan, on the condition that the Directors waive such rights. Accordingly, as described in (3) (i) below, the maximum amount of Trust funds to be used as funds for the acquisition of the Company's shares during the Initial Applicable Period shall be calculated taking into account such corresponding points. Of the aforementioned maximum, the amount corresponding to such points is 300 million yen, and the maximum amount excluding such amount is 200 million yen.

The Company may, based on the decision of the Board of Directors, set the Applicable Period to be a period within three fiscal years (period of the fiscal year corresponding to the period covered by the medium-term management plan) each time and extend it, extend the trust period of the Trust (including substantially extending the trust period by transferring the trust assets of the Trust to a trust established by the Company with the same purpose as that of the Trust, and the same applies hereinafter), and maintain the Plan. In such case, the Company shall, during the Applicable Period of the said extension, additionally contribute to the Trust funds in the amount of up to the value derived by multiplying the number of fiscal years of the Applicable Period for the extended portion by 100 million yen as funds to additionally acquire the shares of the Company necessary for issuance to Directors under the Plan, continue to grant points described in (3) below and the issuance of shares of the Company.

Furthermore, even in cases where the Plan is not continued by not extending the Applicable Period as described above, if there are Directors who have been granted points but not yet retired from office at the time of expiration of the trust period, the Company may extend the trust period of the Trust until such Directors retire from office and the issuance of shares of the Company is completed.

(3) Method of calculating the number of shares of the Company to be issued to Directors and the maximum thereof

(i) Method, etc. of granting points to Directors

The Company shall, based on the share issuance rules set forth by its Board of Directors, grant points to each Director according to their position, etc., and achievement of the planned values in the medium-term management plan as of the points grant date in the trust period stipulated in the share issuance rules.

However, that the total number of points granted to Directors of the Company shall be no more than 40,000 points per fiscal year (the upper limit on the total number of points shall be handled as not including the number of points that will be granted in lieu of the stock options already granted, which are described below).

Furthermore, in accordance with the introduction of the Plan, the Company plans to grant points in lieu of share acquisition rights (10 points per share acquisition right) without delay after establishing the Trust, on the condition that each Director waives his or her rights to the unexercised share acquisition rights (total of 4,778) as stock options that have already been granted to Directors.

(ii) Issuance of shares of the Company according to the number of points granted

Directors shall receive issuance of shares of the Company according to the number of points granted described in (i) above based on the procedure provided in (iii) below. However, in the event that a Director engages in material inappropriate conduct, all or some of the points granted up to that point shall be extinguished following specified procedures, and no shares of the Company corresponding to the extinguished points shall be issued.

One point shall be equivalent to one share of the Company. However, in the event a stock split, share consolidation or allotment of shares without contribution, the number of shares per point shall be adjusted in accordance with such split ratio or consolidation ratio, etc.

(iii) Issuance of shares of the Company to Directors

Each Director shall, in principle, undertake specified procedures at the time of retirement and acquire Trust beneficiary rights, and shall receive issuance of shares provided for in (ii) above from the Trust as a beneficiary of the Trust.

It should be noted, however, that with respect to a certain percentage of shares of the Company, the Company may issue cash in lieu of shares of the Company by selling and converting them to cash within the Trust, so that it can be used for tax payment funds such as withholding income tax. In addition, in cases where the shares of the Company in the Trust are converted to cash following a subscription to a tender offer or such like, the Company may issue cash in lieu of shares of the Company.

(4) Exercise of voting rights

The Company shall not exercise voting rights associated with the shares of the Company in the Trust, without exception, in accordance with the instruction from the custodian independent of the Company and its Officers. This approach is intended to ensure the neutrality to the management of the Company with respect to the exercise of voting rights associated with the shares of the Company in the Trust.

(5) Handling of dividends

Dividends pertaining to the shares of the Company in the Trust shall be received by the Trust, and appropriated to the funds for purchasing shares of the Company, trust fees to the trustee of the Trust, and such like.